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SUBJECT: MONTERREY BUSINESS SURVEY SHOWS ECONOMY IS SLOW, BUT NOT COLLAPSING

¶1. At the suggestion of the Consulate, the Monterrey chapter of the American Chamber of Commerce surveyed its members on the economy during a late January speech by Amcham economist Deborah Riner. Although the member companies expected some decline in sales and delayed investment, they generally anticipate a dip rather than a collapse in the Northern Mexican economy.

¶2. The Monterrey chapter of the Amcham received 101 responses from member companies, with 53% of the respondents representing Mexican companies, 31% American and 16% were other or did not answer. The survey participants covered a variety of business sectors, including services (55%), manufacturing (31%), commercial (8%) and 6% did not answer. The members vary in size, and 30% of them sold goods and services in Mexico, 7% were exclusively exporters, 38% did both, and 25% did not answer.

¶3. The member companies generally planned to retain their personnel and raise salaries in 2009. In this survey, 30% of the respondents expected to increase hiring in the first quarter of 2009, only 8% planned to cut payroll, 55% did not plan changes, and 7% did not respond. Moreover, 55% of the companies plan to raise salaries, 42% did not, and 4% did not know.

¶4. The business survey participants do expect some negative consequences in 2009. For example, 45% of the company representatives project lower sales in 2009, 28% expect higher sales, and 27% thought that sales would remain the same. The economic slowdown has affected investment, as 44% of the Amcham companies have postponed or cancelled investments in 2009, 54% have not, and 2% did not answer. However, 63% of the Amcham companies have not had difficulty obtaining loans from banks or other credit institutions, 28% have had problems receiving credit, and 9% did not answer. Finally, companies are somewhat reducing inventory, as 29% have reduced their inventories, 17% increased their inventory, 38% have not made changes, and 16% did not respond.

¶5. Comment. The survey is interesting because it represents a good cross section of American and Mexican companies. We were surprised that the survey respondents were not more pessimistic. Indeed, they seem more optimistic than economists such as Deborah Riner, who warned that Mexico's economy would not recover until 2010. Since the survey was conducted in late January (but just delivered to post), the companies may be more pessimistic now as bad news continues to roll into Monterrey. End Comment.

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